Oversight Division

Committee On Legislative Research

PROGRAM EVALUATION

State Tax Commission

Program Evaluation

State Tax Commission

Prepared for the Committee on Legislative Research
by the Oversight Division

Mickey Wilson, CPA, Director
Review Team: Ross Strope, Team Leader, Steve Shiery, CPA, Wayne Blair, Valerie Lesko

TABLE OF CONTENTS

Committee on Legislative Research
Oversight Subcommittee

THE COMMITTEE ON LEGISLATIVE RESEARCH, Oversight Division, is an agency of the Missouri General Assembly as established in Chapter 23 of the Revised Statutes of Missouri. The programs and activities of the State of Missouri cost approximately $17 billion annually. Each year the General Assembly enacts laws which add to, delete or change these programs. To meet the demands for more responsive and cost effective state government, legislators need to receive information regarding the status of the programs which they have created and the expenditure of funds which they have authorized. The work of the Oversight Division provides the General Assembly with a means to evaluate state agencies and state programs.

THE COMMITTEE ON LEGISLATIVE RESEARCH is a permanent joint committee of the Missouri General Assembly comprised of the chairman of the Senate Appropriations Committee and nine other members of the Senate and the chairman of the House Budget Committee and nine other members of the House of Representatives. The Senate members are appointed by the President Pro Tem of the Senate and the House members are appointed by the Speaker of the House of Representatives. No more than six members from the House and six members from the Senate may be of the same political party.

PROJECTS ARE ASSIGNED to the Oversight Division pursuant to a duly adopted concurrent resolution of the General Assembly or pursuant to a resolution adopted by the Committee on Legislative Research. Legislators or committees may make their requests for program or management evaluations through the Chairman of the Committee on Legislative Research or any other member of the Committee.

COMMITTEE ON LEGISLATIVE RESEARCH

Representatives:

Representative Catherine Hanaway, Chairperson
Representative Mark Abel
Representative Frank Barnitz
Representative Carl Bearden
Representative Jason Crowell
Representative D.J. Davis
Representative Rod Jetton
Representative Merrill Townley
Representative Juanita Walton
Representative Brian Yates

Senators:

Senator Gary Nodler, Vice-Chairman
Senator Matt Bartle
Senator Joan Bray
Senator Harold Caskey
Senator Patrick Dougherty
Senator Michael Gibbons
Senator Chuck Gross
Senator Kenneth Jacob
Senator John T. Russell
Senator Charles Shields

COMMITTEE ON LEGISLATIVE RESEARCH
STATE OF MISSOURI
STATE CAPITOL
JEFFERSON CITY, MISSOURI 65101

May 07, 2003

Members of the General Assembly:

The Joint Committee on Legislative Research adopted a resolution in May, 2002, directing the Oversight Division to perform a program evaluation of the State Tax Commission to determine and evaluate program performance in accordance with program objectives, responsibilities, and duties as set forth by statute or regulation.

The accompanying report includes Oversight's comments on internal controls, compliance with legal requirements, management practices, program performance and related areas. We hope this information is helpful and can be used in a constructive manner for the betterment of the state program to which it relates.

Respectfully,

Catherine L. Hanaway

Representative Catherine Hanaway
Chairman

EXECUTIVE SUMMARY

The State Tax Commission (STC) was created by the Missouri Constitution of 1945 and is under the organizational umbrella of the Department of Revenue. The primary duty of the STC is to exercise general supervisory power over county assessors and boards of equalization to ensure that all general property tax laws are complied with.

The STC has the responsibility to supervise the equalization of real property assessments throughout the state. To do this, the STC performs various functions, including training, technical assistance, legal interpretation, ratio analysis, appeals, and in certain cases, providing temporary manpower.

Oversight has concluded that newly elected assessors should be required to receive more training than that currently required. With the few minimal qualifications required to be elected to the office of county assessor, Oversight recommends that the training requirements for newly elected assessors be increased and that a set series or progression of classes be required for the new assessors. This could be accomplished by increasing the number of courses required that are taken through the Missouri Assessors Association, or the STC could make some of the courses that it offers to newly elected assessors mandatory.

Oversight noted the STC did not adhere to the open meetings laws of the state by failing to make public the final action taken during its closed meetings. We recommend the STC adhere to the open meetings laws of the state.

Oversight also noted the STC allows counties to submit reimbursement requests later than the statutory deadline of said requests. The State of Missouri (through the STC) reimburses up to half of the costs incurred by the counties in performing the biennial reassessments. Counties are allowed to submit the reimbursement requests up to thirty days after the end of the quarter, but this deadline is largely ignored by counties and by the STC. We recommend the STC enforce the deadline established in the statutes.

Oversight believes the STC should narrow the qualifications for computer systems that county assessors may utilize in the performance of their duties. Currently, county assessors utilize over fifteen in-house or custom-written computer systems as well as nine different vendor provided systems. A smaller set of viable systems would result in an increased uniformity in assessments as well as greater efficiency on the part of the STC to technically assist the various county assessors.

Oversight noted that the STC has not defined standards for expenses that counties may charge to their local assessment fund. Counties receive funding into this fund from various sources and utilize these funds, theoretically, to pay for expenses incurred in implementing an assessment and equalization maintenance plan. Even thought these are county funds, Oversight believes the STC

should issue standards for the types of expenses that may be incurred from this fund, since the funds should be spent for assessment practices.

Oversight also noted that some counties do not utilize the personal property valuation guides that are provided by the STC to value personal property within their county. Personal property values should not change simply because one crosses a county line. In order to create a more uniform valuation basis across the state, we recommend the STC either mandate or more strongly encourage all of the counties and the City of St. Louis to utilize the STC personal property guides.

Finally, Oversight noted instances in which assessment ratios studies were not performed in certain county agricultural land classifications during a two year cycle. While this is not specifically contradictory to the statutes, Oversight believes this was not the intent of the original legislation. Oversight believes the STC should clearly define the measures used to determine and certify the assessment ratios of each county during the two year studies within the Code of State Regulations.

The Oversight Division wishes to thank the Missouri State Tax Commission staff for their cooperation and assistance during the evaluation.

Mickey Wilson

Mickey Wilson, CPA
Director

Chapter One - Introduction

Background

The property tax system in Missouri is the backbone of local funding for many political subdivision functions. Operations of school districts, county or township governments, city governments, libraries, fire protection districts, special road districts and many others are dependant upon the over $4 billion in annual property tax collections throughout the state. The large task of assessing all property, real and personal, in the state to be taxed is the responsibility of the 115 county and city assessors, the boards of equalization and the Missouri State Tax Commission (STC).

The STC was created by the Missouri Constitution of 1945 and is under the organizational umbrella of the Department of Revenue. The primary duty of the STC is to exercise general supervisory power over county assessors and boards of equalization to ensure that all general property tax laws are complied with. The STC's powers and duties are set forth in Section 138.190 to Section 138.480, RSMo.

The STC is under the direction of three commissioners who are appointed by the Governor and approved by the Missouri Senate. To assist the Commission in fulfilling its responsibilities, is a staff consisting of appraisers, technicians and hearing officers located in Jefferson City and throughout the state. The STC is divided into five sections: administration, legal, ratio study, original assessment, and technical assistance. The STC provides a number of services to the local assessors, including training, technical assistance, legal interpretation and in certain cases, temporary manpower.

The STC and its functions are financed by three separate appropriation line items in the state budget. First, the operations of the STC (personnel, fringe benefits, and expense and equipment); second, the STC is responsible for paying the statutory additions to salary of nine hundred dollars per year for certain county assessors who attain and/or maintain certification; and last, the STC is responsible for reimbursing county assessors and the City of St. Louis Assessor a portion of their expenses incurred during the assessment maintenance process. The STC reimburses counties fifty percent of their qualified expenditures, up to $6.20 per parcel during the years reviewed by Oversight (reduced to $5.50 per parcel in FY 2003). The following is a listing of the expenditures for the last three fiscal years.

	FY 2000	FY 2001	FY 2002
Operations of the State Tax Commission	$3,436,834	$3,501,848	$3,280,149
Additional salary to county assessors who attain or maintain certification by the STC	$99,000	$96,525	$94,275
Reimbursements to county assessors for the assessment plans	$17,173,911	$17,824,473	$18,218,433
Total Expenditures	$20,409,745	$21,422,846	$21,595,857

Missourians pay tax on two types of property, personal and real. Personal property includes items such as automobiles, boats, farm equipment and livestock. Real property includes land and all buildings, structures, improvements and fixtures on the land. Missouri's property tax system is ad valorem based - taxes are assessed based upon the value of the underlying property. Therefore, all applicable personal and real property in Missouri, as of January 1st each year, is assessed a value by the county assessors and applied against a tax rate (levy) to determine the amount of tax the owner must pay for the year.

A 1979 Missouri Supreme Court decision (Cassilly v. Riney) resulted in the requirement for statewide reassessment, which took until 1985 to complete. To ensure that the reassessment values were maintained by the counties, starting in 1987, the STC implemented a biennial reassessment maintenance plan. As part of this plan, in every even numbered year counties must file with the STC their proposed assessment budgets as well as plans of how they intend to reassess the property in their county over the next two years. On the ensuing odd-numbered year, the parcels of real property in the county are reassessed based on information gathered by the assessor.

The county assessors of the state have the task of assigning a market value to almost all of the nearly three million parcels of real property in Missouri every two years as well as annually assessing all of the taxable personal property in the state. To assist the county assessors, the STC provides training and seminars to county assessors and their staff, as well as technical assistance.

Most assessors are elected in November, with their four-year term starting the following September, a delay of nearly ten months. There are few requirements of candidates seeking election for the county assessor position, so experienced staff and training provided by the STC are crucial to the functions of the assessors' offices, as well as to the fairness and uniformity of the state's property tax system.

Purpose

The General Assembly has provided by law that the Committee on Legislative Research may have access to and obtain information concerning the needs, organization, functioning, efficiency and financial status of any department of state government or of any institution that is supported in whole or in part by revenues of the state of Missouri. The General Assembly has further provided by law for the organization of an Oversight Division of the Committee on Legislative Research and, upon adoption of a resolution by the General Assembly or by the Committee on Legislative Research, for the Oversight Division to make investigations into legislative and governmental institutions of this state to aid the General Assembly.

The Committee on Legislative Research directed the Oversight Division to perform a program evaluation of the Missouri State Tax Commission for the purpose of providing information to the General Assembly regarding proposed legislation and appropriation bills.

Objectives

The objectives of the Oversight Division's evaluation of the STC included reviewing the assessor training programs as well as the various other services provided by the STC to the county assessors, and reviewing the reassessment/equalization maintenance program to determine if ongoing efforts are made to ensure that assessments are equitable and technically accurate.

Scope/Methodology

The scope was not limited to specific fiscal years, although for most analysis, data from fiscal years 2000 through 2002 was utilized. The evaluation included interviewing STC personnel; reviewing statutes, rules and regulations; examining financial records; testing samples of transactions and surveying the county assessors of Missouri.

Chapter Two - Comments

Comment 1:
Newly elected assessors should be required to take more training than what is currently required.

With the few minimal qualifications required to be elected to the office of county assessor, it is possible for new county assessors to be elected to the position with little or no assessment or appraisal experience. Therefore, it is imperative that new assessors receive adequate and timely training to perform the tasks required by the position.

Currently, Section 53.255, RSMo, requires assessors to become certified by the Missouri State Tax Commission by attending a 32 hour course of study by the second anniversary of taking office. The STC regulates the certification; however, the STC does not require newly elected assessors to attend courses that are designed specifically for newly elected officials. The STC informs the Missouri Assessors Association (who arranges the training) which assessors are in need of a course of study to be certified or to remain certified. The Missouri Assessors Association then contracts with nationally recognized organizations, such as the International Association of Assessing Officers (IAAO) which actually conduct the training. The STC receives a listing of the assessors who attended the training and then certifies the assessor regardless of which approved certification course the assessor attended. Therefore, a newly elected assessor could attend a course that was considered to be for an experienced assessor, and still become certified even though they may have gotten very little from the class.

Oversight researched other states and their laws relating to the educational requirements for assessors. Four of the seven states Oversight researched have minimum qualifications (such as being a certified appraiser, having a certain number of years of appraisal background, having an appraisal designation, or passing an examination) for persons to hold the office of assessor. Some of the states researched specified which courses the assessor must take in order to become certified by the state.

The STC offers in-house training classes on various topics to new assessors through assessor-elect workshops. However Oversight proposes making classes mandatory for new assessors and for the STC to create a set progression of classes for newly elected assessors to take in order to become certified and to begin receiving their $225 per quarter bonus from the State of Missouri. With the complexity of mass appraisal and the importance of the assessment process, Oversight recommends mandatory training be required of new assessors to improve their capability as county assessor.

The mandatory classes could be added to the current requirement of one course of study within the first two years that is conducted through the Missouri Assessors Association, or for the sake of cost savings, the classes and workshops currently offered by the STC could possibly by rearranged and made mandatory for newly elected assessors. New assessor requirements could include the current one day Assessment Practices offered by the STC, as well as courses in maintenance plan/budget development, personal property appraisal, Hunnicutt cost system training as well as other topics deemed necessary by the STC.

Oversight believes the continuing education requirements in current law are adequate when compared to other states' requirements for continuing education.

Oversight recommends the Legislature and the STC consider increasing the mandatory education and training requirements for newly elected assessors.

**Comment 2:
The State Tax Commission must adhere to the open meeting laws.**

In Oversight's review of the State Tax Commission's meeting minutes, it was noted the STC has failed to make public the final action taken in closed meetings. Section 610.021, RSMo, outlines three reasons public government bodies may conduct closed meetings, including legal actions; lease or purchase of real estate; and the hiring, firing, disciplining or promoting of employees. Subsection 610.021(3) requires that any vote on a final decision, when taken by a public governmental body while in closed meetings must be made available with a record of how each member voted to the public within seventy-two hours of the close of the meeting where such action occurs.

The STC stated that most of the meetings closed for personnel matters were to interview and hire field staff. Oversight did not find corresponding information regarding public notice of the actions taken during the closed meeting actions as required by statute. A customary method of publicizing closed meeting activities is to provide a summary notification of that activity in the immediately following open meeting minutes.

Oversight recommends the STC adhere to the Missouri open meetings laws. The Executive Secretary and Chief Counsel to the State Tax Commission agreed that this procedure would be implemented immediately. The minutes had been prepared under the assumption that all parties who would review the open meeting minutes would be able to review the closed meeting minutes.

**Comment 3:
Counties are submitting maintenance plan reimbursement requests late and the State Tax Commission is accepting them.**

Counties are reimbursed up to half of their cost incurred from performing the biennial reassessment. Section 137.750.3, RSMo, requires counties and the City of St. Louis to submit the quarterly reimbursement requests to the STC by the thirtieth day of the month following the quarter end. This statutory deadline is largely ignored by the counties and the STC. During the fiscal years of 2000 through 2002, the number of counties (out of a possible 115) that submitted late reimbursement requests per quarter ranged from 16 to 35, with the average being 24 per

quarter in FY 2000, 23 per quarter in FY 2001 and 20 per quarter in FY 2002.

The STC does not strictly enforce this statutory requirement, and will seemingly process the reimbursement request whenever it comes in with all of the necessary supporting documentation. The STC states that it takes some counties longer than the thirty days to assemble the necessary documentation for the maintenance plan reimbursement request.

Oversight recommends that the STC enforce the deadline established in statutes for the submission of quarterly maintenance plan reimbursements.

**Comment 4:
The State Tax Commission should strive to make county reassessment computer systems more uniform.**

County assessors utilize specialized computer systems for the various phases of the property assessment process. Local assessment offices reported 15 in-house or custom-written computer systems, and nine different vendor-provided systems installed in 96 different offices. Information was not available as to the type of systems used in 22 local offices. There are more systems than offices because some offices use more than one system for various functions or phases of the process. The counties reported total expenditures of $1.8 million, $2.1 million, and $2.2 million in computer system costs during the 1999, 2000, and 2001 reimbursement years, respectively.

Section 137.115, RSMo, requires counties to have an assessment maintenance plan approved by the STC for each two-year cycle. Section 137.750 makes certain electronic data processing (EDP) costs subject to specific STC approval before reimbursement can be provided. The STC has interpreted this limited authority to require proposed assessment office EDP systems to meet a set of minimal technical reporting standards if the county desires to be reimbursed for costs related to the systems, but has not required the assessment offices to use specific systems.

These systems are selected, purchased, and installed by the local assessment offices, since the STC does not require the use of a specific system. The result is a patchwork of systems across the state with little uniformity. Counties are not able to assist each other with assessment computer system problems since adjoining counties are not likely to use the same system. The systems' distribution does not follow the STC regional technical assistance assignments, so each technical assistance staff member must work with local offices using several systems. In one instance, a STC staff member has 13 different systems in use in local offices assigned to him.

In states where there is a standardized system, Oversight was told there is greater efficiency and less cost since county staff and the STC's peer agency only have one system to maintain. Oversight believes Missouri assessment offices incur higher costs, lower performance, and much greater confusion due to the large number of systems in use.

Oversight recommends the State Tax Commission tighten the minimum technical reporting standards for the computer systems utilized in the reassessment process. This may limit the number of approved computer systems that can be utilized by the various county assessors which would lead to increased uniformity and standardization between counties and increased efficiency within the assessment process. This would need to be phased in over several years, but would create several advantages for the county assessors as well as the STC.

Comment 5:
The State Tax Commission should consider adopting standards for allowable assessment expenditures that counties may charge to their local assessment funds.

The State Tax Commission (STC) has not adopted standards for allowable costs to be charged to county level assessment funds. These funds can receive funding from various sources, including a levy of up to two mills on the dollar of assessed valuation by the county, a percentage (either 1 percent or ½ percent) of all ad valorem property tax collections in the county, state reimbursement payments, or a transfer from other county funds. STC management does not believe it has a strong statutory mandate to create or enforce such standards for local assessment funds, since their primary concern for county

expenditures has been the verification and payment of the state reimbursement formula of a maximum of $6.20 per parcel ($5.50 for FY 2003).

In 1979, the Missouri Supreme Court rendered a decision in the *Cassilly vs. Riney* case which required statewide reassessment. This court decision cites the relevant state constitution and statutes and makes clear that the STC has the responsibility and authority to require specific methods of assessment and may order counties to follow its requirements. Although the court did not specifically address cost standards or the state reimbursement system, it appears the STC would have the only authority to issue such standards. Creation of the standards for expenditures from the local assessment funds would allow county officials and auditors of county financial statements to ensure that costs incurred and reported are allowable.

Several sections of the Missouri Statutes address the issue of expenditures from the local assessment fund. Section 137.725, RSMo, states "the salary of the assessor, the clerks, deputies, employees and all costs and expenses of the assessor shall be paid monthly or semiannually by the county from the assessment fund." Section 137.750.2, RSMo, which addresses the creation of the fund in each county as well as St. Louis City, further states that the fund is for "funding the costs and expenses incurred in implementing an assessment and equalization maintenance plan approved under section 137.115 and for assessing real and personal property." Subsection 137.750.4(1) specifically prohibits counties from being reimbursed from tax moneys withheld from political subdivisions to pay for indirect or overhead expenses.

The STC has implemented standards and criteria that county expenses must meet before a state reimbursement will occur, however, such standards for expenses to the local assessment fund that are not being reimbursed by state moneys have not been addressed by the STC. During the evaluation, Oversight noted a wide variation in the amounts and types of charges that counties reported. A survey of reimbursement claims for nine relatively high-cost counties revealed three counties had reported expenditures from the local assessment fund which seemed only

remotely connected to the assessment maintenance effort. Examples included significant allocations of central computer system costs, administrative and special project funding charges, parking for employees, and flag cleaning.

Oversight recommends the State Tax Commission consider development of cost standards for allowable assessment expenditures to ensure that costs paid from the county assessment fund are reasonable and necessary to the assessment maintenance plan.

**Comment 6:
Personal property values should be determined from the same source.**

The STC produces a valuation guide for personal property that all counties and St. Louis City can use to assess an array of personal property owned by the residents in their jurisdiction. The STC does not require that counties utilize this guide; however, according to the STC, nearly eighty-five percent of the counties use it. Some of the first class counties along with St. Louis City produce their own tables and guides to use in the valuation of personal property.

Section 137.115.1, RSMo, states "...the assessor shall annually assess all personal property at thirty-three and one-third percent of its true value in money as of January first of each year." Section 137.115.9, RSMo, further states "the assessor of each county and each city not within a county shall use the trade-in value published in the October issue of the National Automobile Dealers' Association Official Used Car Guide, or its successor publication, as the recommended guide of information for determining the true value of motor vehicles described in such publication. In the absence of a listing for a particular motor vehicle in such publication, the assessor shall use such information or publications which in the assessors judgement will fairly estimate the true value in money of the motor vehicle."

The property taxes of the state are to be assessed and levied across the state on an equitable basis. Personal property assessments should be very similar throughout the state for the same property, since moving personal property across county lines should not change its value. The STC believes the reservations of the remaining counties to convert to the STC personal property valuations is largely due to the technical or mechanical issues of converting instead of the

potential differences in personal property valuations after the conversion. For example, the county personal property system may not be as detailed as the STC system, and therefore, it would be difficult determining and assessing the correct models or types of personal property during a conversion to the STC valuations. However, it seems that the STC should mandate that counties move towards using its guide to value personal property, since this would create more uniformity among all of the counties regarding how they assess personal property.

Oversight recommends the State Tax Commission either mandate or more strongly encourage all of the counties and St. Louis City to use the STC personal property guide to value most personal property to create a more uniform valuation basis across the state. If certain counties continue to have reservations regarding utilizing the STC guide, then discussions and possible further action should take place to ensure the switch occurs.

**Comment 7:
The State Tax Commission should clearly define the measures used to determine and certify the Assessment Ratios of each county during the two year studies.**

The STC is charged with the responsibility of monitoring the assessment accuracy of each county in the state as well as the City of St. Louis. The STC measures the degree of this assessment accuracy through the Assessment Ratio Study which utilizes a sampling of parcels and is conducted on two-year cycles.

During Oversight's review of the assessment ratio study, it was found that the STC did not perform the assessment ratio studies of agricultural land classifications in three counties (New Madrid, Perry and Scott) in the period of 1999 through 2000. The STC stated they were short on resources to perform the studies and that agricultural land classifications would not vary substantially from year to year. Therefore, the STC felt comfortable in not performing a ratio assessment study on the agricultural classification of the three counties. The STC noted that due to budget cutbacks, several county agricultural classification studies would not be performed in the current two-year cycle. Oversight reviewed the appropriations and expenditures of the STC operations for fiscal years 1997 through 2002. The STC appropriations as well as

expenditures increased each year from FY 1997 through FY 2001, and then each decreased in FY 2002. The appropriated full-time equivalents (FTE) also increased from 76.75 in FY 1997 to 80.75 in FY 1999 through FY 2002. The FY 2003 budget contains a decrease in both appropriations and FTE for the State Tax Commission.

The STC utilizes the median ratio of the appraisals conducted by their staff to complete the ratio analysis in almost all circumstances. However, Oversight noted that the ratio determined by the STC for counties did not always match the median of the sample group utilized, especially if the median was outside of the tolerance level of 95 percent. If the ratio study determined that the median was below the tolerance level, then the STC utilized several variables, including the coefficient of dispersion and confidence intervals to determine which outcome was used in its study.

Sections 163.011 and 138.395, RSMo, state that the STC shall annually certify the equivalent sales ratio for all of the counties, but does not explain how the STC shall perform this certification or calculate the ratio. The Code of State Regulations is also silent to the issue of the calculation of the equivalent sales ratio. Therefore the STC's current practice is not in conflict with the state statues or the code of state regulations regarding the assessment ratio study. However, Oversight believes the methods utilized in the study (such as specifying that all classes of property in each county be reviewed each two-year period) and the calculations used to determine the ratio analysis should be explained in detail in the Code of State Regulations.

Comment 8:
A technical change is needed in the Missouri Revised Statutes regarding assessor certification.

Section 53.255.6, RSMo, provides for the Director of Revenue to suspend reimbursement payments of assessment costs from the state pursuant to Sections 137.700 and 137.710, as a penalty for the county assessor failing to become or remain educationally certified. Sections 137.700 and 137.710 no longer exist in the current revised statutes of Missouri. In 1986, the Legislature repealed Sections 137.700 and 137.710 in Senate Bill 476 as they had been replaced in a prior year with another section (137.750) that also deals with maintenance plan reimbursements made from the state to the county

assessors. Both sections provided for the state to pay part of, not to exceed one-half of, all assessors' costs and expenses. This reference error could impact the intended penalty for assessors that are not certified by the STC. County assessors have continued to meet the certification requirements, since it is relatively easy to do and to also avoid any negative implications that may occur if they are not certified.

Oversight recommends the Legislature amend Section 53.255.6, RSMo, to reference the correct section of statutes dealing with maintenance plan reimbursement payments (Section 137.750) as an additional incentive for county assessors to become and remain certified by the State Tax Commission.

Comment 9:
A clarification is needed in the Missouri Revised Statutes regarding additional assessor compensation.

Section 53.084, RSMo, addresses additional compensation of $900 per year that the state of Missouri (through the STC) pays to the county assessors that become or remain certified.

- Subsection 53.084.1 states that in addition to all other compensation provided by law, any assessor other than an assessor of a *first class county* who becomes certified and remains certified shall receive additional compensation of two hundred and twenty-five dollars per quarter.

- Subsection 53.084.3 addresses the timing of when the county assessor shall be eligible to receive these additional payments. However, this subsection also states that "An assessor other than an assessor of a *first class charter county*" shall be entitled to the compensation provided in subsection 1 of this section, and goes on to explain when the assessors shall be eligible for the payments.

Therefore, subsection three identifies first class charter counties as being ineligible for the payments, whereas subsection one excludes all first class counties (not just first class charter), creating the discrepancy. Currently, the STC pays the additional compensation to certified assessors other than the first class charter (St. Louis, Jackson and St.

Charles) counties.

Oversight recommends the Legislature amend the language contained in Section 53.084 to convey the true intentions of the body, to exclude either all first class county assessors or only first class charter county assessors from receiving the additional $900 per year of additional compensation for being certified by the STC.

APPENDIX

COMMISSIONERS

SAM D. LEAKE, CHAIRMAN
BRUCE E. DAVIS, MEMBER
JENNIFER TIDWELL, MEMBER

ROSEMARY P. KAISER
ADMINISTRATIVE SECRETARY

R. RANDALL TURLEY
CHIEF COUNSEL

STATE TAX COMMISSION

OF MISSOURI

621 EAST CAPITOL AVENUE, POST OFFICE BOX 146
JEFFERSON CITY, MISSOURI 65102-0146
TELEPHONE: 573/751-2414
FAX: 573/751-1341
www.dor.state.mo.us/stc

December 17, 2002

Mickey Wilson, CPA, Director
Oversight Division
Room 132, State Capitol
Jefferson City, MO 65101

Dear Mr. Wilson:

In response to the Oversight Division's State Tax Commission revised program evaluation, we offer the following responses to your evaluation comments:

Comment 1: Newly elected assessors should be required to take more training than what is currently required.

The State Tax Commission concurs that newly elected assessors need intense training and education. The State Tax Commission has developed an assessor-elect workshop, which is tailored for assessors prior to taking office. The workshop is designed to provide the assessor-elect with an overview of the operations and administration of a typical assessor's office. Additionally, the Commission provides the assessor-elect with an Assessors' Manual, which is a comprehensive document covering all aspects of the assessor's responsibilities, duties and applicable state laws.

The Commission also provides, for both new and existing assessors, hands-on training within each assessor's jurisdiction. This training addresses concerns and issues that are indigenous to that particular county.

The Commission provides regional workshops throughout the course of the year addressing various aspects of the assessor's responsibilities and duties. The comprehensiveness of all the educational opportunities provided by the Commission to the assessors is directly related to the amount of funding available for this purpose.

The Commission stands ready to work with the General Assembly in establishing mandatory guidelines and educational curriculum associated with holding the office of assessor.

Comment 2: The State Tax Commission must adhere to the open meeting laws.

The State Tax Commission concurs. We applaud the Oversight Division for clarifying the law associated with open meetings. The Commission has established procedures to comply with the open meetings law.

Comment 3: Counties are submitting maintenance plan reimbursement requests late and the State Tax Commission is accepting them.

The Commission acknowledges that late reimbursement requests are indeed processed after the 30-day deadline. State Tax Commission data indicates that 85% of counties currently adhere to the 30-day timeline.

Section 137.750.1, RSMo reads in part, that the state shall reimburse all "current and past unreported quarterly costs and expenses." (Emphasis added). The Commission has interpreted this subsection's language as allowing counties to submit late requests for reimbursement. In reconciling the two subsections, the Commission has accepted reimbursement requests subsequent to the 30-day period found in 137.750.2, RSMo.

The Commission looks to the General Assembly for guidance to resolve the apparent variance between the two subsections of 137.750, RSMo.

Comment 4: The State Tax Commission should strive to make county reassessment computer systems more uniform.

The State Tax Commission agrees that computer systems and accompanying appraisal systems be more uniform. All 115 counties utilize a computerized appraisal and/or assessment package.

A total of 10 different appraisal systems are utilized throughout the state. There are 15 in-house or custom written systems used in 28 counties and 10 vendor-provided systems used by the remaining counties. The State Tax Commission acknowledges it would be much easier to administer if that number were smaller. However, upon the completion of the first statewide reassessment, the General Assembly made it clear that local jurisdictions would have autonomy in determining which appraisal and computer system would be most beneficial to their particular situation.

The State Tax Commission, in it's 56th Annual Report, recommends to the General Assembly that computer network districts be established through the state's universities and colleges for the sole purpose of developing a common computer system and appraisal system to be utilized statewide. The symbiotic relationship forged between the assessment community and institutions of higher learning could learn to be invaluable. The Commission acknowledges that the transition to a universal computer system and appraisal system could be cost prohibitive.

However, the General Assembly might make movements to phase in such an operation as resources are made available. Additionally, the Commission will work with the General Assembly if it is their desire to tighten the current requirements regarding appraisal and computer systems used in the counties.

Comment 5: The State Tax Commission should consider adopting standards for allowable assessment expenditures that counties may charge to their local assessment funds.

It is the State Tax Commission's intent to adhere to statutory provisions regarding the reimbursement of assessment costs to the counties. The statutory requirement incorporated in the statutes is the result of an Interim Committee on Reassessment established in 1987 that studied Missouri's assessment maintenance program. Currently, 85 counties have reached their maximum allowed reimbursement of $6.20 per parcel. Subsequently, as a result of a reduction in assessment maintenance funding, the ceiling now stands at $5.50 per parcel and we anticipate that an additional 15 counties will reach the maximum reimbursement ceiling.

The State Tax Commission will continue to review expenditures and reimbursement requests from counties to determine if such expenditures are in compliance with statutory requirements regarding allowable reimbursement items.

Comment 6: Personal property values should be determined from the same source.

The State Tax Commission concurs with the Oversight Division's recommendation that property values should be determined from the same source. In tax year 2003, a Personal Property

Valuation Guide will be provided to county assessors, which is a result of a cooperative effort between the State Tax Commission and the Missouri Assessors' Association. The guide will be distributed to all assessment jurisdictions with the intent that it will be uniformly used by all counties in their assessment program. The Commission and the Assessors' Association will audit the use of these guides to ensure uniform compliance throughout the state.

Comment 7: The State Tax Commission should clearly define the measures used to determine and certify the Assessment Ratios of each county during the two-year studies.

The State Tax Commission has developed written procedures regarding the methodology utilized in selecting samples for the ratio study. Additionally, the Commission has written procedures regarding the determination of statistical inferences to be utilized in calculating the equivalent sales ratio, which is submitted to the Department of Elementary and Secondary Education for the purpose of distributing state funding to schools. The methodology used in the ratio determination is consistent with national ratio study standards published by the International Association of Assessing Officers. This methodology was also reviewed by the University of Missouri's Mathematics Department.

Comment 8: A technical change is needed in the Missouri Revised Statutes regarding assessor certification.

The State Tax Commission concurs with the recommendation.

Comment 9: A clarification is needed in the Missouri Revised Statutes regarding additional assessor compensation.

The State Tax Commission concurs with the recommendation.

If you require any additional information, please do not hesitate to contact me.

Respectfully submitted,

Rose Kaiser

Rose Kaiser
Administrative Secretary